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APPENDIX A

SETTLEMENT AGREEMENT

In order to avoid the costs and risks of further litigation and to expeditiously resolve this matter, the Consumer Protection and Enforcement Division of the California Public Utilities Commission (CPED), and Granite Telecommunications, LLC (Granite or Applicant) and its predecessors, successors, affiliates, and assigns, hereby agree upon the following terms for the settlement of CPED's Protest of Granite's Application for a Certificate of Public Convenience and Necessity (CPCN) to expand its existing authority to provide limited facilities based and resold local exchange services in the State of California, A.16-01-008 (Application).¹

I. JOINT FACTUAL STATEMENT

1. Granite is a Delaware limited liability company with its principal place of business located at 100 Newport Avenue Extension, Quincy, MA 02171. In 2003, Granite applied for authority to provide limited facilities-based and resold local exchange and interexchange telecommunications services in California (A.03-08-026), which Decision (D.) 03-12-048 granted.

2. On January 9, 2016, Granite filed Application (A.) 16-01-008 requesting to expand its existing authority to provide limited facilities based and resold local exchange

¹ The Protest was brought by the Utility Enforcement Branch (UEB) formerly a part of the Safety Enforcement Division (SED), currently a part of CPED.

telecommunication services in California (Original Application). CPED protested the Original Application on February 11, 2016.

3. Granite's Original Application states that Granite has not "been found to have violated any statute, law, or rule pertaining to public utilities or other regulated industries" nor "is being or has been investigated by the Federal Communications Commission or any law enforcement or regulatory agency for failure to comply with any law, rule or order." However, CPED staff determined Granite has two instances of a "Complaint Regarding Unauthorized Change of Subscriber's Telecommunications Carrier before the Federal Communications Commission" (FCC) in 2004 and 2008. CPED's Protest alleges that Granite violated Rule 1.1 of the Commission's Rules of Practice and Procedure in its Application. Under Rule 1.1, any person who transacts business with the Commission agrees to not "...mislead the Commission or its staff by an artifice or false statement of fact or law."

In Granite's reply to CPED's Protest, Granite states that they were "entirely unaware of the existence of the two informal slamming complaints and the resulting decisions" and "[I]t was never Granite's intent to mislead the commission through the obfuscation of facts or be anything other than truthful, as sworn by Granite's Chief Operations Officer."

4. CPED's Protest further alleges that Granite did not provide sufficient proof of financial responsibility. D.95-12-056 and D.91-10-041 require CPCN applicants to provide proof of financial responsibility. The decision states:

To prove sufficient financial resources, facilities-based applicants are required to demonstrate that they possess a minimum of \$100,000 in unencumbered cash; non-facilities-based applicants are required to demonstrate that they possess a minimum of \$25,000 in unencumbered cash.

Subsequent to filing the Protest, Granite met and conferred with CPED and provided additional documentation. Granite submitted an Amended Application on March 22, 2016 with the additional financial documentation and disclosure of the FCC complaints (Amended Application). CPED did not protest the Amended Application.

II. AGREEMENT

1. Acknowledgements. Granite acknowledges that Rule 1.1 requires applicants to provide true and accurate information in documents filed at the Commission, and that the Application requires Granite to disclose whether the applicant "is being or has been investigated by the Federal Communications Commission or any law enforcement or regulatory agency for failure to comply with any law, rule or order." Granite acknowledges that they did not disclose two instances of a "Complaint Regarding Unauthorized Change of Subscriber's Telecommunications Carrier before the Federal Communications Commission" in its application.

Granite further acknowledges that Commission decisions require

telecommunication companies in California to provide proof of financial responsibility in order to obtain operating authority. Granite acknowledges that it did not provide the audited financial statements with its Original Application but instead relied on its more than ten years of service in California and the \$25,000 bond held by the CPUC as support of its financial qualifications. At the request of CPED, Granite provided audited financial statements with its Amended Application.

By this Settlement, Granite states that it will fully meet its regulatory and legal obligations in California in the future. Subject to Granite's ongoing compliance with this Agreement and all applicable laws, and Commission rules, regulations, decisions, and orders, Granite and CPED acknowledge that all issues raised in CPED's Protest of Granite's application for a CPCN are fully resolved with this Settlement.

2. Penalty Payments. In order to resolve the legal issues CPED raised in its Protest, Granite will pay a \$15,000 penalty to the State of California General Fund within thirty (30) days after the calendar date of the Commission's Decision granting Granite's expanded CPCN and approving this Settlement Agreement. The penalty payment shall be made payable to the California Public Utilities Commission and remitted to the Commission's Fiscal Office, 505 Van Ness Avenue, Room 3000, San Francisco, CA 94102. Granite's check or money order shall indicate the decision number of the Commission Decision number incorporating this settlement.

3. Reporting Requirements

For a period of one year following the effective date of the Commission decision granting A.16-01-008 (Effective Date) , Granite will report information regarding all California customers who have terminated with Granite or been provided with a credit to the Chief of the Utility Enforcement Branch (UEB) and Investigator, Brian Hom. The reports will be submitted on a quarterly basis. The first report will cover the time period between the effective date of the Commission decision granting A.16-01-008 (Effective Date) and the end of the calendar quarter following the calendar quarter in which the Effective Date falls. The remaining three (3) reports will cover the subsequent calendar quarters. The credit reports should provide data including company name, address, BTN, invoice date, description, and credit amount, broken down by month. The termination reports should provide data including company name, parent account number, address, BTN, and date of termination, broken down by month. The reports will be submitted via email.

III. GENERAL PROVISIONS

1. Scope and Effect of Agreement. This Agreement represents a full and final resolution of CPED's Protest, and the matters giving rise thereto. The Parties understand that this Agreement is subject to approval by the Commission. As soon as practicable after the Parties have signed the Agreement, a Motion for Commission Approval and Adoption of the Agreement will be filed. The Parties agree to support the Agreement, recommend that the Commission approve it in its entirety without change and use their best efforts to secure Commission approval of it in its entirety without modification.

The Parties agree that, if the Commission fails to adopt the Agreement in its entirety without material change and issue the requested operating authority, the Parties

shall convene a settlement conference within 15 days thereof to discuss whether they can resolve any issues raised by the Commission's actions. If the Parties cannot mutually agree to resolve the issues raised by the Commission's actions, the Agreement shall be rescinded and the Parties shall be released from their obligation to support this Agreement. Thereafter, the Parties may pursue any action they deem appropriate, but agree to cooperate to establish a procedural schedule for the remainder of the proceeding and agree that neither this Agreement nor its terms shall be admissible in such proceeding unless the Parties agree.

2. Successors. This Agreement and all covenants set forth herein shall be binding upon and shall inure to the benefit of the respective Parties hereto, their successors, heirs, assigns, partners, representatives, executors, administrators, subsidiary companies, divisions, units, agents, attorneys, officers, and directors.

3. Knowing and Voluntary Execution. The Parties acknowledge each has read this Agreement, that each fully understands the rights, duties and privileges created hereunder, and that each enters this Agreement freely and voluntarily.

4. Authority to Execute Agreement. The undersigned acknowledge and covenant that they have been duly authorized to execute this Agreement on behalf of their respective principals and that such execution is made within the course and scope of their respective agency or employment.

5. Entire Agreement. The Parties expressly acknowledge that the consideration recited in this Agreement is the sole and only consideration of this

Agreement, and that no representations, promises, or inducements have been made by the Parties or any director, officer, employee, or agent thereof other than as set forth expressly in this Agreement.

6. Choice of Law. This Agreement shall be governed by and interpreted in accordance with the laws of the State of California and the rules, regulations and General Orders of the California Public Utilities Commission.

7. Execution in Counterparts. This Agreement may be executed by any of the Parties in counterparts with the same effect as if all Parties had signed one and the same document. All such counterparts shall be deemed to be an original and shall together constitute one and the same Agreement. A signature transmitted by facsimile shall be regarded as an original signature.

8. Interpretation of the Agreement. The Parties have bargained in good faith to reach the agreement set forth herein. The Parties intend the Agreement to be interpreted as a unified, interrelated agreement. Both of the Parties have contributed to the preparation of this Agreement. Accordingly, the Parties agree that no provision of this Agreement shall be construed against either of them because a particular Party or its counsel drafted the provision.

IN WITNESS WHEREOF, the Parties hereto have duly executed this Agreement.

**GRANITE
TELECOMMUNICATIONS, LLC**

Dated: August 15, 2016

/s/ PAUL STUTZMAN
Paul Stutzman

Senior Vice President
100 Newport Avenue Ext.
Quincy, MA 02171

**CONSUMER PROTECTION AND
ENFORCEMENT DIVISION**

/s/ JEANETTE LO
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